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Facebook to turn 'likes,' check-in into ads

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Facebook wants to put you in an ad.

The Palo Alto social-networking giant on Tuesday introduced a new advertising program called Sponsored Stories, which can potentially turn the millions of "likes," check-ins and other actions shared by its nearly 600 million members into revenue-producing advertisements.

The company already has 13 advertisers lined up, including Coca-Cola, Levi's and Amnesty International.

In one example, a company video explained that when members now use Facebook Places to say they are visiting a Starbucks outlet, their friends see that post and have the ability to comment.

But under the new ad program, if Starbucks sponsored all such check-ins to their coffee shops, friends would also see another version of the same post on the right side of their pages, where targeted ads already appear.

That ad would have a "Sponsored Story" label at the top and include the logo and a link to the Starbucks page on Facebook. The ads give the regular check-in more visibility and make sure it doesn't drop out of view as quickly as it might in the regular feed.

There are similarities between Sponsored Stories and Twitter Inc.'s Promoted Tweets, which highlights a specific Twitter topic if it is sponsored by an advertiser.

Promoted Tweets are already "gaining traction" in the advertising world, according to eMarketer Inc., an online research firm that previously projected the privately held Facebook's ad revenue will grow to about \$4 billion this year, up from \$1.8 billion in 2010.

Facebook has been testing Sponsored Stories for several months and found they helped with brand identification and retention.

Of course, when Facebook members write about the food they enjoyed at a particular restaurant or click "Like" about a movie they've seen, it's in effect an advertisement for that eating place or film.

Indeed, word-of-mouth product endorsements "have value to users and are valuable to marketers as well," said Jim Squires, a member of Facebook's product marketing team.

Squires said all regular privacy settings apply, so a Sponsored Stories ad wouldn't appear to anyone who wouldn't have seen the regular status update. The advertiser can't edit the message, although Facebook members can't choose to completely opt out of becoming part of an ad except to delete the original post.

Analyst Ray Valdes, a vice president of Web services for research firm Gartner Inc., said Facebook will have to make sure turning status updates into ads doesn't alienate members or cause a privacy backlash as the company has generated in the past when introducing features.

"If there happens to be a whiff of spam in the content added by Facebook to that social interaction, then there can be negative repercussions," Valdes said. "For example, a person may find that they lose friends if their status messages consistently have commercial overtones."

And Valdes questioned what happens if a check-in includes a negative message against the advertiser or if Facebook members stop checking in to avoid the ads.

"User participation and user engagement is the goose that potentially lays golden eggs, so Facebook has to be careful with that goose," he said.

Valdes said Sponsored Stories is "too limited a mechanism to form a major revenue stream for Facebook, but over time it could be one component of their revenue mix."

And Facebook could find value in the consumer data and analysis of how its members are interacting, he said.

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<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2011/01/26/BU361HE35D.DTL>

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